

**CASEVILLE AREA FIRE PROTECTION ASSOCIATION
TOWNSHIPS OF CASEVILLE AND LAKE
COUNTY OF HURON
CASEVILLE, MICHIGAN
FINANCIAL REPORT
MARCH 31, 2005**

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

CASEVILLE AREA FIRE PROTECTION
ASSOCIATION: TWNPS. OF CASEVILLE & LAKE

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name SEE ABOVE		County HURON
Audit Date 3-31-2005	Opinion Date 10-31-2005	Date Accountant Report Submitted to State: 10-31-2005		

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan, by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

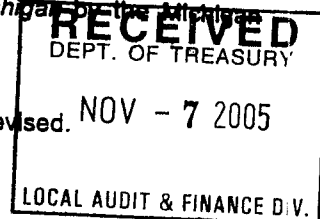
You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Paul A. Smihal, C.P.A.			
Street Address P.O. Box 1972/6915 Caseville Rd		City Caseville	State MI
Accountant Signature <i>Paul A. Smihal C.P.A.</i>		ZIP 48725	



**CASEVILLE AREA FIRE PROTECTION ASSOCIATION
TOWNSHIP OF CASEVILLE AND LAKE**

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Paul Smihal, CPA

CASEVILLE, MICHIGAN
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October 31, 2005

INDEPENDENT AUDITORS REPORT

To the Honorable Board of Commissioners
Caseville Area Fire Protection Association
Townships of Caseville and Lake
Caseville, MI 48725

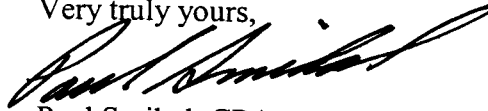
I have audited the accompanying financial statements of the Caseville Area Fire Protection Association, Caseville, Michigan as of March 31, 2004 and 2005 for the years then ended. These financial statements are the responsibility of Caseville Area Fire Protection Association administrative Board. My responsibility is to express an opinion on the financial statements based on my audit.

I conducted the audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit included examine, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. I believe that my audit provide a reasonable basis for my opinion.

In my opinion the financial statements referred to above present fairly, in all material respects, the financial position of the Caseville Area Fire Protection Association of Caseville, Michigan as of March 31, 2004 and 2005 and the results of it operations and cash flows for the year 2005 in conformity with generally accepted accounting principles.

My examination of the Caseville Area Fire Protection Association for the year ended March 31, 2005, was made primarily for the purpose of formulating on overall of Associations combined balance sheet at March 31, 2005 and its combined statement of revenue, expenditures and changes in fund equity for the year then ended. The accompanying additional information has been compiled from the accounting applied in the examination of financial statements mentioned above. In my opinion, the supplemental statements presented for the year ended March 31, 2005 are fairly stated in all material respects in relation to the financial statements taken as a whole.

Very truly yours,

A handwritten signature in black ink, appearing to read "Paul Smihal", written in a cursive style.

Paul Smihal, CPA

**CASEVILLE AREA FIRE PROTECTION ASSOCIATION
TOWNSHIP OF CASEVILLE AND LAKE
BALANCE SHEET
FIRE FUND**

		March 31	
		2005	2004
CURRENT ASSETS	ASSETS		
	Cash	\$ 407,125	\$ 350,509
	Property taxes receivable (note2)	22,809	28,488
	Accrued interest receivable	<u>1,564</u>	<u>623</u>
	Total Current Assets	431,498	379,620
	Fixed Assets - (Note 1)	<u>1,304,843</u>	<u>1,355,118</u>
TOTAL ASSETS		\$ 1,736,341	\$ 1,734,738
CURRENT LIABILITIES	LIABILITIES AND FUND EQUITY		
	Accounts payable	\$ 0	\$ 0
	Accrued payroll taxes	0	0
	Accrued interest payable	1,027	2,422
	Accrued payroll	0	0
	Notes payable		
	Current portion (Note 4)	<u>70,000</u>	<u>70,000</u>
	Total Current Liabilities	71,027	72,422
	Long Term Obligations	112,000	252,000
	Less short term	<u>-70,000</u>	<u>-70,000</u>
	Total Long Term Obligations	42,000	182,000
TOTAL LIABILITIES		113,027	254,422
FUND EQUITY			
	Retained earnings	1,623,314	1,480,316
TOTAL LIABILITIES AND FUND EQUITY		\$ 1,736,341	\$ 1,734,738

**TOWNSHIP OF CASEVILLE AND LAKE
STATEMENT OF REVENUE AND EXPENSES
AND CHANGES IN RETAINED EARNINGS
FIRE FUND**

		YEARS ENDED	
		March 31	
		2005	2004
REVENUE			
	Property tax:		
	Caseville Township	\$ 215,038	\$ 204,695
	Lake Township	90,213	82,745
	Stand by fees and fire runs	5,946	5,700
	Miscellaneous	4,006	1,673
	Interest income	464	2,913
	Donations	<u>0</u>	<u>3</u>
TOTAL REVENUE		315,667	297,729
EXPENSES			
	Salary - firemen	39,600	41,310
	Salary - board	5,700	5,750
	Salary - other	3,276	2,959
	Payroll taxes	3,716	3,814
	Postage and office supplies	132	646
	Operating supplies	963	2,159
	Dues	45	45
	Repair and maintenance	12,605	7,298
	Gas and oil	1,338	1,543
	Education and training	181	150
	Legal and audit	2,260	1,525
	Insurance	19,394	19,858
	Physicals and shots	50	437
	Computer support and internet	1,834	1,711
	Telephone	1,457	1,668
	Water	815	763
	Electric/Heat	5,764	5,777
	Snow and trash removal	0	425
	Miscellaneous	1,624	932
	Advertising	0	0
	Depreciation	59,513	54,180
	Interest expense	<u>12,402</u>	<u>13,982</u>
TOTAL EXPENSES		<u>172,669</u>	<u>166,932</u>
NET PROFIT		142,998	130,797
RETAINED EARNINGS			
	April 1, 2004 - as adjusted	1,480,316	1,349,519
RETAINED EARNINGS			
	March 31, 2005	\$ 1,623,314	\$ 1,480,316

**TOWNSHIP OF CASEVILLE AND LAKE
STATEMENT OF CASH FLOW
FIRE FUND**

**YEAR ENDING
March 31, 2005**

CASH FLOWS FROM OPERATING ACTIVITIES:

Profit	\$ 142,998
Adjustment to reconcile operating profit to net cash provided by operating activities -	
Depreciation	59,513
Change in assets and liabilities -	
Decrease (increase) in accounts receivable	-5,679
Decrease (increase) in prepaid insurance	0
(Decrease) in accounts payable	-777
(Decrease) in notes payable	-140,000
Total adjustments	-86,943

NET CASH PROVIDED BY OPERATING ACTIVITIES 56,055

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Acquisition of capital assets	<u>9,239</u>
NET CASH (USED) BY CAPITAL	9,239

NET (DECREASE) INCREASE IN CASH 56,616

CASH AND RESTRICTED CASH - APRIL 1 350,509

CASH AND RESTRICTED CASH - MARCH 31 \$ 407,125

RECONCILIATION OF CASH AND RESTRICTED CASH:

Cash in bank	\$ 154,722
Certificate of deposit	<u>252,403</u>
TOTAL CASH	\$ 407,125

SUPPLEMENTAL DATA

**CASEVILLE AREA FIRE PROTECTION ASSOCIATION
NOTES TO FINANCIAL STATEMENT
MARCH 31, 2005**

NOTE 1 - FIXED ASSETS (PROPRIETARY FUNDS)

Fixed assets are stated at cost. Depreciation of all exhaustible depreciation is reported on the proprietary fund is charged as an expense against its operations. Accumulated depreciation is reported on the proprietary fund balance sheet. Depreciation has been provided over the estimated useful lives of the respective classes of assets using the straight-line method. The assets were adjusted as of March 31, 2003 and 2004 to reflect the actual cost. The estimated useful lives are as follows:

Building	40 years
Land Improvements	15 years
Machinery and Equipment	5-25 years

A summary of general fixed assets are as follows:

	<u>Balance March 31, 2004</u>	<u>Reclassified and Additions</u>	<u>Balance March 31, 2004</u>
Land	\$ 84,411	\$ -0-	\$ 84,411
Land Improvements	85,190	-0-	85,190
Buildings	679,023	-0-	679,023
Equipment	230,456	9,238	239,694
Furniture and Fixtures	8,369	-0-	8,369
Vehicles	<u>513,819</u>	<u>-0-</u>	<u>513,819</u>
	\$1,601,268	\$ 9,238	\$1,610,506
Accumulated Depreciation	<u>246,150</u>		<u>305,663</u>
Net Fixed Assets	\$1,355,118		\$1,304,843

NOTE 2 - PROPERTY TAXES:

Property taxes are recorded when taxes are levied. This annual levy was made on December 1, 2004 and is for the year April 1, 2004 through March 31, 2005. The tax levy for the year ended March 31, 2004 was based on taxable value.

	TAXABLE VALUE	
Caseville Township	\$192,625,484	Mileage is 1.20000
Lake Township	\$ 74,352,091	Mileage is 1.20000

	<u>CASEVILLE TWP</u>	<u>LAKE TWP</u>	<u>TOTALS</u>
Tax levy	\$215,717	\$87,963	\$303,680
Tax collected	198,585	82,286	280,871
Tax uncollected	17,132	5,677	22,809

**CASEVILLE AREA FIRE PROTECTION ASSOCIATION
NOTES TO FINANCIAL STATEMENT
MARCH 31, 2005
(CONTINUED)**

NOTE 3 - BALANCE SHEET CASH AND INTEREST BEARING DEPOSITS:

Deposits are carried at cost. Deposits of the Caseville Area Fire Protection Association are at one bank. Act 217, PA 1982, authorizes the Caseville Area Fire Protection Association to deposit and invest in the accounts of federally insured bank, insured credit unions, and savings and loan associations; bonds and other direct obligations of the United States, or an agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of the United State banks; commercial paper rated within the three highest classification by not less than two standard rating services, which mature not more than 270 days after the date of purchase, and which involves no more than 50 percent of any one fund; and mutual funds composed of investment vehicles which are legal for direct investment by local unites of government of Michigan law prohibits security in the form of collateral, surety bond, or other form for the deposit of public money. An Attorney General's opinion states that public funds may not be deposited in financial institutions located in states other than Michigan. The Caseville Area Fire Protection Association deposits are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3 risk disclosures for the cash deposits are as follows:

DEPOSITS	CARRYING AMOUNT
Insured (FDIC)	\$ 100,000
Uninsured	250,509
Total Deposits	\$ 350,509

NOTE 4 - GENERAL LONG-TERM DEBT FOR BUILDING:

On November 24, 1999, the Townships of Caseville and Lake signed an installment purchase agreement for the construction of a fire station building in the amount of \$700,000 payable from the proceeds of special assessments on real property. The fire station is being constructed jointly with the townships of Caseville and Lake. The amount was financed through a bank and is backed by Caseville and Lake Townships full faith and credit. Annual principal payments of \$70,000 are due on February 1st plus interest. The loan carries an interest rate of 4.85% and will mature on February 1, 2008. The total projected cost of this project is \$700,000. Caseville Township portion would be \$504,000 or 61% ownership of the building and Lake Townships portion would be \$196,000 or 39% ownership of the building.

NOTE 5 - CHANGE IN LONG-TERM DEBT:

	Note Payable Bank
	<u>Building</u>
Balance at March 31, 2004	\$252,000
Principal Paid	(140,000)
Balance at March 31, 2005	\$ 112,000

**CASEVILLE AREA FIRE PROTECTION ASSOCIATION
NOTES TO FINANCIAL STATEMENT
MARCH 31, 2005
(CONTINUED)**

NOTE 6 - AMORTIZATION OF LONG-TERM DEBT - CASEVILLE TOWNSHIP PORTION

Building Maturities for the Fiscal Year Ending <u>March 31</u>	Notes Payable Bank		<u>Totals</u>
	<u>Principal</u>	<u>Interest</u>	
2006	\$ 50,400	\$ 3,911	\$ 54,311
2007	<u>30,240</u>	<u>1,467</u>	<u>31,707</u>
	\$ 80,640	\$5,378	\$ 86,018

AMORTIZATION OF LONG-TERM DEBT - LAKE TOWNSHIP PORTION

Building Maturities for the Fiscal Year Ending <u>March 31</u>	Notes Payable Bank		<u>Totals</u>
	<u>Principal</u>	<u>Interest</u>	
2006	\$ 19,600	\$ 1,521	\$ 22,072
2007	<u>11,760</u>	<u>570</u>	<u>12,330</u>
	\$ 31,360	\$ 4,563	\$ 55,523

NOTE 7 - ONE QUICK ATTACK PUMPER ON A FORD F-550

On August 21, 2002 the Caseville Area Fire Department interred into an agreement to purchase a new fire truck - Total cost was \$200,264.

CASEVILLE AREA FIRE PROTECTION ASSOCIATION
NOTES TO FINANCIAL STATEMENT
MARCH 31, 2005
(CONTINUED)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

ACCOUNTING FOR CAPITAL EXPENDITURES

Generally accepted accounting principles applicable to governmental unites as promulgated by the American Institute of Certified Public Accountants industry audit guide titles "Audit of State and Local Government Units" provide for differing accounting treatment for capital expenditures dependent upon the category of the funds from which the expenditures are made. In enterprise, expenditures are capitalized in the fund and depreciated. In all other funds, capital expenditures are treated in the same manner as other current expenditures are and are then to be capitalized in a "general fixed asset" group of accounts.

The Townships of Caseville and Lake, created this separate entity for the purpose of establishment, operation and maintenance of a joint fire department and fire authority, including, but not limited to the acquisition and operation of fire department motor vehicles, equipment, apparatus, housing and personnel. This joint venture will be funded with special tax assessments from both townships. The assessment of the Township of Caseville for the year ended March 31, 2004 amounted of \$215,717 of which \$15,002 is still owed to the Association, and the assessment of the Township of Lake for the year ended March 31, 2004 amounted to \$87,963 of which \$5,677 is still owed to the association.

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October 31, 2005

To the Honorable Board of Commissioners
Caseville Area Fire Protection Association
Townships of Caseville and Lake
Caseville, MI 48725

Gentlemen:

I have recently concluded my examination of the accounting records of the Caseville Area Fire Protection Association for the year ended March 31, 2005. In connection with that examination, I wish to make the following comments and recommendations.

GENERAL FIXED ASSETS GROUP OF ACCOUNTS

Generally accepted accounting principles require that all governmental units maintain a general fixed asset group of accounts.

INVESTMENTS

I was pleased to see that the Caseville Area Fire Protection Association invested excess money into savings resulting in a total of \$464 interest income for all funds combined.

INVESTMENT POLICY

The Fire Board has an approved investment policy.

RECOMMENDATIONS

The checkbook is balanced on a regular basis.

The filing system should include a separate file for payroll items.

The number receipt book was obtained and receipts were recorded with the date received, amount and accounting information and then deposited in a timely manner.

This report is intended solely for the information and use of the Caseville Area Fire Protection Association's management, and others within the administration. This restriction is not intended to limit distribution of this report, which upon acceptance by the Township's Board is a matter of public record.

Very Truly Yours,

A handwritten signature in black ink, appearing to read "Paul Smihal", with a stylized flourish at the end.

Paul Smihal, CPA